



## ENVIRONMENTAL LAW & POLICY CENTER

Protecting the Midwest's Environment and Natural Heritage

**Environmental Law & Policy Center Reply Comments on the  
Spring 2011 Electric Procurement Events Which Were Held on  
Behalf of Commonwealth Edison Company and Ameren Illinois Company  
*Submitted July 13<sup>th</sup>, 2011***

---

The Environmental Law & Policy Center (ELPC) appreciates the opportunity to submit reply comments on the Illinois Power Agency's (IPA's) Spring 2011 Electricity Procurement in response to the Illinois Commerce Commission's Request for Comments on June 1, 2011. The comments in this proceeding point to several measures of success achieved by this procurement. However, the recent procurement experience also demonstrates the need for an additional procurement program that enables the IPA to purchase solar renewable energy credits (SRECs) from small and mid-size solar generation projects. The comments suggest several desirable features for the distributed generation (DG) solar portion.

### **Procurements from Small and Mid-Size Solar Projects**

In comments on the IPA's 2011 Draft Procurement Plan filed ten months ago, ELPC recommended that the auctions (1) begin procuring SRECs consistently with the statutory ramp-up schedule; (2) ensure that a portion of each year's procurement is through long-term contracts

35 East Wacker Drive, Suite 1600 • Chicago, Illinois 60601

(312) 673-6500 • [www.ELPC.org](http://www.ELPC.org)

Nancy Loeb, Chairperson • Howard A. Learner, Executive Director

Columbus, OH • Des Moines, IA • Jamestown, ND • Madison, WI • Minneapolis, MN • Sioux Falls, SD • Washington, D.C.

and (3) develop a program for SREC purchases from DG resources.<sup>1</sup> Catalyzing smaller, rooftop solar projects will require an IPA program that awards long-term, standard-offer contracts.

So far, IPA procurements have been accessible to only large developers proposing to build utility-scale projects. Customer-owned, rooftop solar projects are not able to compete because of the auction participation requirements, terms of the procurements, and auction process. Yet, procurements from smaller solar projects would promote the goals of the Illinois Power Agency Act of 2007 in several important ways: expanding the range of renewable energy resources; spurring competition to meet future, increasing demand for SRECs; and reducing long-term direct and indirect costs to consumers by avoiding or delaying the need for new generation, transmission and distribution infrastructure. Moreover, smaller projects are job-generating engines, and revenues from selling SRECs could benefit schools, libraries and other owners of government and community buildings as well as residences and small businesses.

### **Measures of Success in Spring 2011 Procurement, But Need for Design Changes**

The comments in this proceeding point to several measures of success achieved by the Spring 2011 procurement: (1) prices for wind and solar renewable energy credits (RECs) declined;<sup>2</sup> (2) total acquisition cost of winning RECs in ComEd and Ameren was about \$2.9 million, which was over 97% below the \$106 million budget allowed by the statute;<sup>3</sup> (3) winning bids provide 100% of the Ameren quantity and 90% of the ComEd quantity;<sup>4</sup> and (4) twelve bidders were awarded contracts.<sup>5</sup>

---

<sup>1</sup> ELPC Comments on the IPA's 2011 Draft Procurement Plan at 1 (Sept. 15, 2010).

<sup>2</sup> Comments of the People of the State of Illinois at 2 (June 22, 2011).

<sup>3</sup> Comments of Boston Pacific Company at 2 (June 22, 2011).

<sup>4</sup> Comments of the People of the State of Illinois at 3.

<sup>5</sup> Id.

Despite these indicators of success, the comments note causes for concern and needs for design changes. ELPC highlights three of these points which relate to procurements of SRECs from DG.

First, Iberdrola observes that the heavy reliance on one-year REC auctions has produced price volatility and “will strongly diminish new renewable energy investment required to meet the state’s increasing renewable energy requirement.”<sup>6</sup> Iberdrola supports “a ‘portfolio-based’ approach which includes a mix of longer and medium-term REC procurements along with some short-term and spot-market purchases.”<sup>7</sup> Additionally, Iberdrola recommends that IPA develop “benchmark prices for the longer-term REC procurements and compare offers to those benchmarks to ensure that offers are consistent with the Agency’s view of long-term incremental costs.”<sup>8</sup>

Second, Boston Pacific notes that there was repeat interest, but little expansion in the pool of winning bidders in the Spring 2011 procurement. Only one out of the 28 winning bids was from a bidder that did not win in a prior procurement.<sup>9</sup> While there has been substantial growth in wind capacity (both in Illinois alone and in the Illinois/Indiana/Iowa region),<sup>10</sup> there were no successful bids for RECs from solar. Investments in solar capacity must ramp up significantly to meet the escalating statutory requirements of 1.5% by 2013, 3% by 2014, and 6% by 2015. Procuring RECs from a diverse range of competitive solar projects will multiply the economic benefits of the RPS’s solar carve out.

Third, Constellation argues for streamlined, standardized contracts: “Reducing the administrative burden on bidders could potentially lead to an increase in the number of bidders

---

<sup>6</sup> Comments of Iberdrola Renewables at 7 (June 22, 2011).

<sup>7</sup> Id. at 3.

<sup>8</sup> Id. at 9.

<sup>9</sup> Comments of Boston Pacific Company at 3.

<sup>10</sup> Comments of the People of the State of Illinois at 4

and a decrease in the cost of the products procured.”<sup>11</sup> Boston Pacific similarly supports moves to more “harmonized” contracts,<sup>12</sup> and the People of the State of Illinois commented on the bidding that occurred “[d]espite the delay and intense contract negotiations associated with the process.”<sup>13</sup> Standard-offer contracts for smaller solar projects would help attract new sources of RECs that will not otherwise participate in the IPA’s existing auction process.

### **Lessons from the Spring 2011 Procurement Favor a Program for Procuring**

#### **SRECs from DG**

By relying on short-term purchases and through the auction’s requirements for participation, the Spring 2011 Procurement failed to encourage investments in DG solar projects. However, the following three lessons from the largely-successful Spring 2011 Procurement can offer guidance on how to structure a DG SREC procurement for the 2012 Procurement.

First, the huge surplus of budget for procuring RECs compared to the recent cost of such acquisitions (\$106 million budget versus \$2.9 million cost of RECs acquired) signals that expenditures for DG SRECs will not harm ratepayers. In fact, catalyzing the market for DG solar now by offering fixed price, standard offer contracts will enable the IPA to access an additional source of competitively priced RECs, improving its ability to meet future, increasing demand under the statute at lowest cost. Illinois solar market is young, and the investment of ratepayer dollars at this stage will leverage private investment, attract new market entrants, increase competition and drive down costs.

Next, ratepayers would benefit from expanding the portfolio of procurements. Longer-term contracts for SRECs from smaller projects will encourage investments in renewable energy

---

<sup>11</sup> Comments of Constellation Energy Commodities Group at 18 (June 22, 2011).

<sup>12</sup> Comments of Boston Pacific at 7.

<sup>13</sup> Comments of the People of the State of Illinois at 3.

by a diverse range of suppliers and provide a hedge against price volatility. Also, unlike other products procured through IPA auctions, distributed solar does not require investments in new transmission and distribution infrastructure. Prices for SRECs from DG projects could be subject to benchmark pricing established by the IPA, as Iberdrola recommends for longer-term contracts generally.

Finally, more standardized contracts are supported by the observations that the recent procurement suffered from delays, regulatory uncertainties and costs of the contracting process. Using standard-offer contracts for DG SREC procurements would encourage participation by a wide range of rooftop projects and yield reasonable administrative costs for the IPA.

### **Conclusion**

ELPC strongly supports this review of the Spring 2011 Procurement. Along with several measures of success, this experience produced lessons which demonstrate the need for the IPA to implement a procurement program for DG SRECs. The procurement budget surplus shows that the IPA has the ability to move forward now to stimulate new, diverse sources of renewable energy resources and capture the many other benefits of DG SRECs. Through benchmark pricing and longer-term, standardized contracts, DG SRECs can be procured at reasonable costs and with reasonable administrative requirements.

The IPA and ICC should promptly develop and implement a program for DG solar projects.

Thank you for the opportunity to comment.

Warren Lavey  
Senior Fellow & Senior Attorney

Madeleine Weil  
Policy Advocate

Brad Klein  
Staff Attorney

Environmental Law & Policy Center